

TO: Participating GRH Lenders  
FROM: Iowa's USDA, Rural Housing Service Single Family  
Guaranteed Rural Housing (SF-GRH), August 2003

**\*\* PLEASE DISTRIBUTE TO ALL WHO UTILIZE THE GRH PROGRAM \*\***

## **NEW NEWS**

The Iowa GRH Handbook at <http://www.rurdev.usda.gov/ia/rhsg.html> has been updated with the following changes: Table of Contents – more user-friendly.

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**WOW.** Iowa is more than 50% **ahead** of this time last year in loans obligated and funds usage. We really appreciate your participation in the program.

Funds remain available. Our fax machine is waiting for those reservation requests!

## **LOAN PROCESSING**

It is especially **important** this time of year that everyone fax those **reservations** prior to sending the guaranteed application package. Please utilize the current version of 1980-86, Request for Reservation of Funds found at <http://rdinit.usda.gov/regs/forms/1980-86.pdf>. A reservation confirmation ensures funding availability for that particular loan.

**Reservations** should be faxed to the **same office** as the application will be shipped. The fax numbers are as follows:

Ankeny .....	515-964-8613	Maquoketa .....	563-652-4889
Atlantic .....	712-243-1565	New Hampton .....	641-394-3769
Des Moines .....	515-284-6668	Storm Lake.....	712-732-6059
Fairfield .....	641-472-1430	Waverly .....	319-352-5846
Fort Madison .....	319-372-9443	West Union .....	563-422-6018
Iowa City .....	319-351-2997		

**Minority Home Ownership** has been an initiative across the nation this year. We told you about this in our [February 2003](#) newsletter. Thank you for your efforts. Iowa has met and exceeded 2003 FY goals already. Please be sure to continue to complete this information on the applications. Our goals will continue to increase in FY 2004.

Please be sure to obtain the applicant's **signature(s)** on **Form 1980-21**, Request for Single Family Housing Loan Guarantee, revision 1/03, prior to submission to RD.

Please note in [AN 3817, SFHGLP Debt Ratios Waivers](#) says, "The GRH program regulations authorize the Agency, at its discretion and on a case-by-case basis, to approve a lender's request for **debt ratio exceptions**." RHS must have the lender's documented request PRIOR to issuing a Conditional Commitment.

Conditional Commitments cannot be issued until the complete and final **Underwriting** document and acceptable **Termite** Inspection are received. Refer to [Exhibit H](#) of the Iowa GRH Handbook for a complete list of required items.

Please be sure to return the original Conditional Commitment with appropriate signatures with the **closing** package.

Our staff remains committed to providing excellent service with a **24 hour turnaround** of complete application packages.

Updated Checklists are always available online in our handbook:

<http://www.rurdev.usda.gov/ia/rhsg.html>

## **SERVICING**

**LOSS CLAIM PROCESSING** - A **DISPOSITION PLAN** must be issued to RD for concurrence within 30 days of acquisition of a GRH property. The new AN 3861 may be found at <http://rdinit.usda.gov/regs/an/an3861.pdf>. The fillable (corrected) Disposition Plan is attached plus a letter to our state approved lenders.

Our last report of lenders not submitting **quarterly reports** was quite long. Servicers are to report on the status of ALL GRH borrowers on a quarterly basis. Reporting is done online at <https://usdalinc.sc.egov.usda.gov> (USDA LINC). Lenders may call toll free 877-636-3789, or email [guaranteed.loan@stl.rural.usda.gov](mailto:guaranteed.loan@stl.rural.usda.gov) to obtain a Trading Partner Agreement (TPA) to sign up for an ID to access the automated reporting system.

## **NEW ANs**

**AN 3885** - SF-GRH **Foreclosure Sale Bids**

<http://rdinit.usda.gov/regs/an/an3885.pdf>

This Administrative Notice provides guidance on foreclosure sale bids for security property on which there is a Rural Housing guaranteed loan. This AN replaces RD AN No. 3680, which expired October 31, 2002. -- See attached letter.

**AN 3884** - SF-GRH Form RD 1980-17, "**Loan Note Guarantee**"

<http://rdinit.usda.gov/regs/an/an3884.pdf>

The purpose of this Administrative Notice is to clarify RHS procedure on the issuance and retention of Form RD 1980-17, "Loan Note Guarantee," and affirm Agency policy on a lender's request for a duplicate copy. This AN replaces RD AN No. 3771 (1980-D) dated July 9, 2002.

**\*\*PLEASE NOTE**—Iowa has experienced an unusual amount of requests for duplicate copies of Loan Note Guarantees. One address is utilized by our system to send all documents to the approved lender. Please let us know asap if this address should be changed. Nationally Approved lenders will need to contact National Office.\*\*

**AN 3883** - Single Family Housing Guaranteed Loan Program RD Instruction 1980-D, Section 1980.324 **Lender Charges and Fees**

<http://rdinit.usda.gov/regs/an/an3883.pdf>

The purpose of this AN is to renew Agency requirements under Instruction 1980-D, Section 1980.324(a) for routine charges and fees that lenders may charge borrowers. This AN replaces and is substantially similar to RD AN 3769, released on July 3, 2002.

**AN 3881** - Eligibility of **Non-U.S. Citizens** for Single Family Housing Guaranteed Loan Program Assistance **\*\*UPDATED\*\***

<http://rdinit.usda.gov/regs/an/an3881.pdf>

This Administrative Notice is intended to furnish guidance concerning what documentation non-U.S. citizens must supply in order to be considered for a loan note guarantee under the SFHGLP.

This AN replaces RD AN No. 3835 which was issued on March 25, 2003. The list of documents that are acceptable evidence of eligible immigration status has been corrected to refer to INS Form I-551, instead of Form I-151. Procedures for verifying immigration status also are updated.

### **AN 3877 - Loss Mitigation** Comprehensive Clarification of Policy

<http://rdinit.usda.gov/regs/an/an3877.pdf>

This administrative notice clarifies policies concerning loss mitigation actions in the RHS SF-GRH loan program. The attached guide describes loss mitigation options, identifies circumstances for their use, and discusses situations in which each may be appropriate. It is intended for use by lenders who service RHS-guaranteed loans, and for Agency field office staff who may be called upon to give guidance to lenders and borrowers. Lenders should use the guide as a reference when considering loss mitigation options for guaranteed borrowers.

### **UPCOMING EVENTS**

September 4, 2003

Iowa Mortgage Association - 50<sup>th</sup> Annual Convention  
Marriott Downtown, Des Moines, Iowa

November 4, 2003

Iowa Home Ownership Education Project (IHOEP) - 2003 Fall Conference  
Scheman Building, Iowa State Center, Ames, Iowa

### **USEFUL INFO**

Iowa GRH Handbook <http://www.rurdev.usda.gov/ia/rhsg.html>

All Iowa GRH Newsletters <http://www.rurdev.usda.gov/ia/rhsgupdate.html>

RD Properties for Sale <http://www.resales.usda.gov/>

USDA, Rural Development <http://www.rurdev.usda.gov/>

Iowa USDA, Rural Development <http://www.rurdev.usda.gov/ia/>

USDA, Rural Development offices will be **closed** on the following holidays:

Monday, September 1, 2003 - Labor Day

Monday, October 13, 2003 – Columbus Day

Tuesday, November 11, 2003 – Veteran's Day

Thursday, November 27, 2003 – Thanksgiving Day

Iowa State Office Single Family Housing Staff

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To request **changes to our email list** such as removals or additions, please e-mail [lynn.eilders@ia.usda.gov](mailto:lynn.eilders@ia.usda.gov) with your request. Be sure to include contact name, business name, location, phone number, and email address. We appreciate your assistance with the maintenance of our email list. Thank you.

August 8, 2003

TO: Approved SF-GRH Lenders  
ATTENTION: Servicing and Loss Claim Managers  
SUBJECT: Single Family - Guaranteed Rural Housing Foreclosure Sale Bids

7 CFR 1980.374 covers a lender's responsibilities in pursuing the liquidation of a guaranteed loan account in an incurable default. Lenders must exercise due diligence in completing the liquidation process. This should include an analysis of the total debt, the property value, and the potential for the recovery of a deficiency judgment and/or hazard insurance proceeds. In this analysis, total debt prior to the foreclosure sale typically consists of the unpaid principal balance, accrued interest, protective advances, and other potential costs, such as foreclosure costs, bankruptcy costs and attorney fees.

When foreclosure is the proposed method of liquidation, the amount bid at the foreclosure sale may have a significant impact the net loss to the lender and to the Government. If the bid at the sale covers the full amount of the outstanding debt, the debt is satisfied in the eyes of the law and the lender has no basis for further collection from the borrower. The lender's position of first mortgagee is extinguished upon full payment of the debt and, therefore, there is no right to collect any proceeds from insurance or litigation against the property. In addition, when the bid is equivalent to or exceeds the market value of the property, potential buyers are less interested in bidding and it is more likely the lender will acquire title to the property as well as the costs of managing and disposing of it. It is in the mutual interest of the lender and the Government, as guarantor, to encourage third party bidding by entering a foreclosure sale bid less than the value of the property. The intent is to avoid acquiring REO and its associated management and disposition costs.

Without prior concurrence of the Agency, a lender may enter a foreclosure sale bid of 85 percent of the current fair market value of the property. The fair market value upon which the bid is calculated must be a current appraisal of no more than six months old, or broker's price opinion (BPO) no more than 90 days old, of the property in "as-is" condition, with a 90 to 120-day marketing timeframe. If the interior of the security property is not accessible, the value may be based on exterior inspection only. The reduction reflects potential real estate owned (REO) property costs, including accrued interest on the unpaid principal balance, which are typically a minimum of 15 percent of the fair market value of the property.

Lenders are responsible for ensuring that the valuation that forms the basis for the bid, whether derived from a BPO or an appraisal, provides an accurate estimate of the market value of the property at the time of the foreclosure sale. The Agency recommends that the lender undertake a review of the valuation, particularly when it indicates a decline in value of 20% or more from the time when the loan was made. Lenders should be prepared to support the validity of their preforeclosure valuations if called upon by the Agency to do so.

Copies of RD AN No. 3885 dated July 22, 2003 that addresses this topic can be obtained at the Rural Development web site, [http://rdinit.usda.gov/regs/an\\_list.html](http://rdinit.usda.gov/regs/an_list.html). You may direct questions regarding this AN to Heather Honkomp or LindaKay Rhoades, Rural Housing Service, Des Moines at 515-284-4666.